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Evaluation of Business Model Transformation: A Case Study in Trading Company PT. S

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Abstract

PT. S has been trading on imported food coloring and flavorings in Indonesia for over seventeen years. Specifically, it is a subsidiary of a multi-corporate organization that boosts the latest technology in the food coloring industry. Although the Indonesian market for food and beverages is still growing, PT. S has not been performing well in recent years. The inefficient local operational and management activities forced its head office to change its strategy to survive and remain competitive in the industry. The poor performance has prompted a change in the business model, leading to a shift from the direct sales methods to the utilization of distributors. Therefore, this study aimed to evaluate the impact of change in the business model. A descriptive qualitative model with the case study method and a single unit for analysis were used. The data was collected through observation, a document study, and interviews. Furthermore, the triangulation method was used to process the data, which was then analyzed through value chain analysis and strategic cost management. The analysis also focused on activity-based cost management and customer profitability. The result showed that this business model successfully improves the company's financial performance, though several processes need further attention.

Keywords
activity-based management; business model; customer profitability analysis; strategic cost management; value chain analysis

I. Introduction

Food and beverages are basic human needs that create a large and attractive market for Indonesia. In general, Indonesia is among the most populous countries globally, with a higher demand for food and beverages, making it an attractive market for investors. The country is divided into an archipelago with various natural resources, providing numerous opportunities for investors. Since the food and beverage sector provides necessities of life, it is an industry that investors would attract. Subsequently, the industry is supported by other related value chain sectors, such as flavorings and food coloring that improves taste and aesthetics. However, the importers and foreign manufacturers dominate the Indonesian market for flavors and colors. In economics the understanding of the market is broader than just a meeting place between sellers and buyers to carry out sale and purchase transactions for goods / services (Azhar Affandi *et al*, 2020).

Most food coloring and flavoring products are imported because Indonesia lacks the technology needed to produce them. Coloring and flavoring products require high safety and quality standards during production since they are used for food (food grade). Companies, such as Christian Hansen, Roha, Kerry, and Indesso, are well-known manufacturers of quality food coloring and flavoring products. PT. S has been a major importer and trader of food coloring and flavorings products in Indonesia since 2004, acting as a subsidiary of a multi-corporate group with headquarters in the United States.

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Specifically, it imports these products from affiliated countries, such as America, China, Australia, and the Philippines, where they are produced. The company directly sells the products to its customers, assisted by two distributors for each category. However, the distributor only supports the company in making sales, especially when handling orders from small companies for easy administration.

Although PT. S has been in Indonesia since 2004, it has failed to attain its sales and operating income goals. The performance of the company falls below the head office's expectations. Therefore, management decided to change the business model for the Indonesian office. The result has been a more controlled performance, which is in line with the management's expectations.

The new business model focuses on distributors, where PT. S sales are routed through selected distributors. It only handles the importation procedure, though after the products arrive in Indonesia, the selected distributors ensure the products reach the consumers. This means that distributors will handle the cost and process of billing customers, minimizing the cost incurred by PT. S. The management expects distributors to cover a larger customer base, leading to improved financial performance. The new business model will also impact the company's overall restructuring, causing a change in value chain analysis, strategic cost management, and activity-based cost management.

The problem in this study is how to assess the implementation of the business model change strategy for the Indonesian office, its impact on company performance, and how can the process be optimized using a strategic cost management framework?

To determine the impact of changes in the business model. The evaluation encompasses the effectiveness of the new business model by using the theoretical framework of strategic cost management, including SWOT analysis, value chain, financial, and cost management analysis. The study results show that after the changes, company's financial performance is better, but there are some improvements in business processes that can be improved.

II. Review of Literature

2.1 Strategy and Business Model

Osterwalder & Pigneur (2010) defined a business model as a map or plan that guides an organization's carrying out its operations. Other scholars believe that a business model is a conceptualized system of main activities, including entrepreneurial activities (Zott & Amit, 2013). According to Mark Johnson (2018), the business model consists of four complementary factors that create and generate value. These include customer value proposition, profit formula, key resources, and key processes, forming the building block for any type of business model for a business. Customer value proposition and profit formula are determinants of company value, while key resources and processes describe how the company delivers that value to the customer.

2.2 SWOT Analysis

Companies should periodically evaluate their performance to take immediate corrective measures suppose performance is not in line with the target. One of the popular evaluation tools is the SWOT analysis used in testing the company's areas of strength, weaknesses, opportunities, and threats.

A SWOT analysis addresses internal and external aspects of an organization. The internal component covers strengths-resources, skills, and other advantages possessed by an organization. It also involves weaknesses, which are the limitations or deficiencies within the organization that can hinder its performance. In contrast, external aspects cover opportunities and threats available now or in the future for the organization. The opportunities include favorable events, while threats are detrimental events or situations facing the organization.

Blocher et al. (2019) explained the SWOT analysis as a systematic procedure to identify its success factors by analyzing its internal strengths and weaknesses, as well as the external opportunities and threats. The company’s core competencies and skills help identify areas of competitive advantage that management can exploit. Furthermore, these core competencies can help in formulating the company's overall strategy. On the other hand, weakness denotes a lack of important skills or competencies relative to the company's resources against the competition.

Marketing is a process of planning and execution, starting from the conception stage, pricing, promotion, to the distribution of goods, ideas and services, to make exchanges that satisfy the individual and his institutions (Dianto in Asmuni *et al*, 2020).

Management can identify strengths and weaknesses by looking inside the company (internal company) for specific resources, such as product lines, management, research and development, company operations, marketing, and company strategy. Opportunities and threats can be identified by analyzing the industry and competitors’ aspects, including barriers to entry, intense competition, pressure from substitute products, consumers’ bargaining power, and suppliers' bargaining power.

SWOT analysis is important for channeling strategic analysis direction because it focuses on the strengths, weaknesses, opportunities, and threats that affect its success. The final stage in SWOT analysis involves the identification of companies quantitative measures for critical success factors (CSFs). In general, the CSF represents the company's critical process as it provides value to customers- value proposition.

2.3 Value Chain Analysis

Michael Porter (1985) established that a value chain is a series of interrelated value creation activities that convert basic raw materials, material sources, or component suppliers to end-use products or services ready for consumption. The analysis entails coordinating each part of the value chain to enhance customer satisfaction, especially cost efficiency, quality, and delivery. A company with an efficient value chain process will have a competitive edge by attracting a large pool of customers.

The value chain is divided into two activities: main and supporting activities. The main activities involve several processes, such as the physical movement of raw materials and finished products and the production process of finished goods or services. Furthermore, it entails marketing, sales, and services supporting the production of finished products and encompasses input logistics, operations, outbound logistics, and services. The supporting activities include procurement, technology development, human resource management, and the company infrastructure.

The value chain activities provide input in each stage and processing, it adds value to the output before delivery to the customer as a final product. Management should utilize the main and supporting activities to meet or exceed consumers' expectations, thus contributing to the company’s competitive advantage. By focusing on these nine activities, management will determine how each value affects costs and revenues. According to Porter (1985), an organization could develop a sustainable competitive advantage through a low-cost or differentiation strategy.

The value chain concept was first introduced by Michael Porter (1985), using Porter's theory of competitive advantage. According to the theory, the chain represents a series of interrelated value-added activities, indicating that competitive advantage and value chain are interconnected. The management can use value chain analysis (VCA) as a diagnostic tool to support continuous improvement as goods move from one production stage to the next. Moreover, Taylor (2005) explained VCA as a multidimensional assessment of value chain performance, encompassing examining product flow, information flow, and chain control management. Pearce and Robinson (2009) sought to understand how a business can create value for its customers by examining the contribution of each value activity within the business. Shank and Govindarajan (2000) also commented on value chain analysis, showing that it is a tool to understand the process of creating value in a product. In general, the value chain results from activities from purchasing raw materials to products reaching customers and after-sales service. Therefore, organizations, or business people use its analysis to create value for their customers and improve competitive advantage.

2.4 Activity-Based Costing & Activity-Based Management

Blocher et al. (2019) defined activity-based costing (ABC) as a costing approach method assigning resource costs to products or services based on the activities or improvements on the object. The development of ABC systems involves three stages, including (1) identification of cost activity sources and related activities, (2) assigning resources cost based on activity, and (3) assigning activity costs to cost objects.

According to Blocher et al. (2019), activity-based cost management (ABM) is the management of resources and activities related to the products or services to make them more valuable to customers, increasing its competitiveness and profitability. ABM uses ABC as its main source of information, focusing on the efficiency and effectiveness of business processes and activities. Through ABM, management can identify cost reduction strategies and increase value for customers, thereby increasing the company’s competitiveness.

ABM is classified into two categories, specifically operational and strategic. Operational ABM optimizes the company's operational activities through asset utilization and lowering costs. It is focused on the efficient execution of the right course of action for enhanced profits. ABM employs various techniques, including activity analysis, business process improvement, total quality management (TQM), and performance measurement. Also, strategic ABM focuses on selecting appropriate company operations, eliminating non-essential activities, and selling to profitable customers. The application can provide management with process design, customer profitability analysis, and value chain analysis to alter activity demand and increase profitability through activity efficiency.

2.5 Customer Profitability Analysis

Blocher et al. (2019) established that customer profitability analysis is a process of identifying customer service activities, cost drivers and establishing the profitability of each individual or group customer. Excellent knowledge of customer profitability can help companies increase overall profits, thus becoming competitive. This knowledge can be acquired through cost analysis as the company serves customers.

2.6 Previous Research

Junic Kim (2015) analyzed the business model and strategy and carried dynamic analysis on the business value chain. The study used a value chain analysis approach in examining business model strategies in the business platform. By using a similar research approach, this study, however, focused on strategic cost management with SWOT analysis, value chain analysis, and cost management analysis. This study uses value chain analysis as the primary tool for business model evaluation at PT. S with its competitive advantage.

III. Research Method

3.1 Research Approach

This study used a case study with a descriptive qualitative research method. In general, this method examines the condition of natural objects, with the researcher as a key instrument. The data was collected using the triangulation method and the analysis conducted indecisively or qualitatively, with the result emphasizing meaning rather than generalization (Sugiyono, 2013). The object of the study was the evaluation of changes in the business model at PT. S, while employees and former key employees who implemented the model at the organization being the subjects.

3.2 Data Collection

The data was collected through observation, a document study, and interviews. The interviews were semi-structured, meaning they were prepared in advance with the main seeking answers from respondents. Furthermore, triangulation method was used to test the data validity through various data collection methods qualitatively (Denzin, 1978). After establishing data validity, the next stage was reduction, display, and verification.

3.3 Data Analysis

Data analysis in qualitative research takes several processes, including data collection, reduction, and verification (Miles & Huber, 1994). The analysis process involves data description based on the observations and interviews concerning changes in the business model and the evaluation results. The analysis also relies on the theoretical framework for displaying and analyzing the results. The final step in data analysis is compiling conclusions and making sense of the results.

IV. Results and Discussion

Initially, PT. S provided various products from essential oils, synthetic and natural dyes, food and beverage flavors, and drug and food industry products. Over time, the company singly focused on food and beverage coloring and flavoring products. It is known for its PT S's superior synthetic and natural food coloring and flavoring products.

Originally, the company sold its products to customers directly, but the head office changed the model by utilizing distributors. The revenue process was spearheaded by a commercial team actively seeking orders from new customers and on new projects for regular customers. The company’s commercial support structure comprises of product technical team, supply chain, customer service, and finance department. However, after the change in the business model to allow distributors to deal with customers, the process of receiving orders is transferred to them.

4.1 Business Model

Components PT S’s business model theory include:

a. Customer Value Proposition

Through interviews with several respondents, PT. S’s customer value proposition is as follows.

1. Leveraging its leading position in the coloring market (focus on coloring products)
2. Prioritizing customer needs for faster results (for example, creating a color or flavor combination to meet customer specifications or customizing a customer's product to create a new flavor or color).
3. Exceeding customer expectations, enhancing their satisfaction with the product and the commercial team.
4. Reliability, where customers express confidence in the product quality because of increased product knowledge and product regulation in Indonesia.

b. Profit Formula

The PT. S's profit formula employs the concept of a margin model, where the product's selling price factors the expected volume and cost structure. When calculating the actual margin, accountants is factored in the margin percentage for distributors.

c. Key Resources

One of the key resources at PT. S is human resources. The company's employees include a commercial team (sales and marketing), technical team, product quality, halal regulations, customer service, product planning, and finance to help carry out operational processes. These processes range from product orders to sales invoice administration to billing and making payments. The distributor is also another key resource since they are the representative of PT. S to the customers.

d. Key Process

PT. S divides its key processes into two categories, specifically revenue generation and billing. The revenue or sales generation is the first key process done by the commercial team (sales, marketing, and technical) since they can create orders for distributors to present to customers before the desired deadline. The Supply Chain team assisted forwarders, and Customs Service Management Entrepreneurs (PPJK) carry out orders for the company's benefit.

The second key process starts from outbound activities to the customer billing process to the billing process done by the finance department. The company initiated changes in its business model to improve performance. After establishing the company's latest business model, a SWOT analysis was conducted to determine whether the company's strategy is on target.

4.2 SWOT Analysis

The result of PT.S's SWOT analysis are as follows:

a. Strength

PT. S has a technological advantage in developing its product, especially in food coloring. Additionally, Indonesia is leaning towards natural food coloring, thus advantageous to PT. S because it offers various natural coloring products. Another PT. S strength is the availability of a technical team in Indonesia capable of translating custom products desired by customers. The company's ability to combine coloring and flavoring technology and adjust its target cost is also another advantage in meeting customers' needs.

b. Weaknesses

PT. S is a subsidiary to a multi-corporation, distributing its products across the world. The company has to import these products, meaning it will cater to the cost of ordering, purchasing, and shipping, making the final product's priceless competitive from the customer's perspective. Though PT. S's products are of high quality, consumers in Indonesia still prioritize cost factors and prices of goods and services in the market. Since PT. S products are sometimes from non-Asian continents; their products are somewhat expensive than their competitors.

The company lacks human resources, with the Indonesian technical team consisting of one person for each coloring and flavoring process. This means that any vacancy from personnel will hinder the smooth running of business processes. Moreover, knowledge transfer distributors have not been attained as anticipated.

c. Opportunities

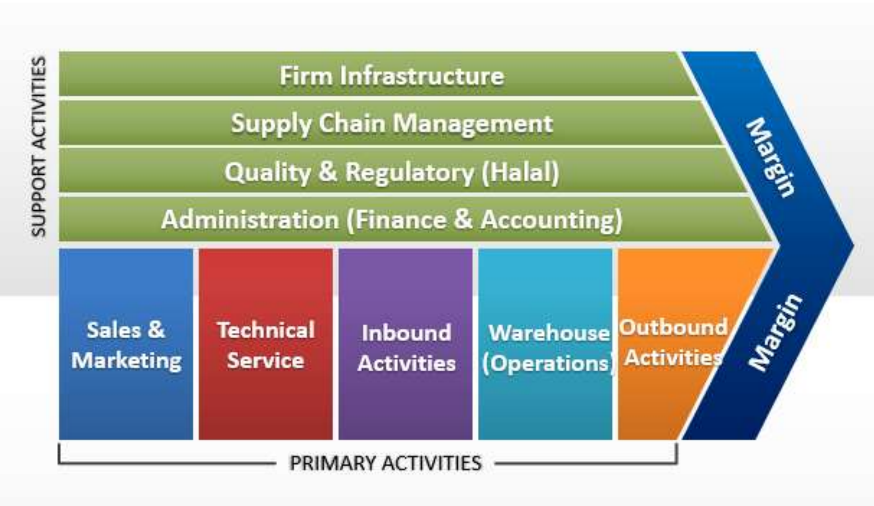
The Indonesian food and beverage market provides an array of opportunities for PT. S. The country is the fourth populated globally, providing PT. S with the vast market for selling its products. Most of its coloring and flavors are concentrated in Java, though food and beverage manufacturers are also available in other areas. Additionally, the Food and Drug Supervisory Agency regulations favor natural coloring, providing additional opportunities.

d. Threats

One major threat faced by PT. S is intense competition in the food and beverage market. Companies from India and China have heavily invested in Indonesia, providing competitive prices in the market. PT. S faces a huge task to maintain its customers because the food and beverage industry is price sensitive. The company finds it challenging to keep its prices lower since it does not have a local manufacturer and the product composition is 100% imported from various affiliated countries. Apart from the customer's import price, there is also the waiting period that can negatively impact the decision-making process.

4.3 Value Chain Analysis

Value chain analysis uses strategic cost management by considering efforts between set values (Porter, 1985). It enables PT. S to determine the strategic advantages and disadvantages of its activities. By analyzing internal and external components, the company can attain a competitive advantage.



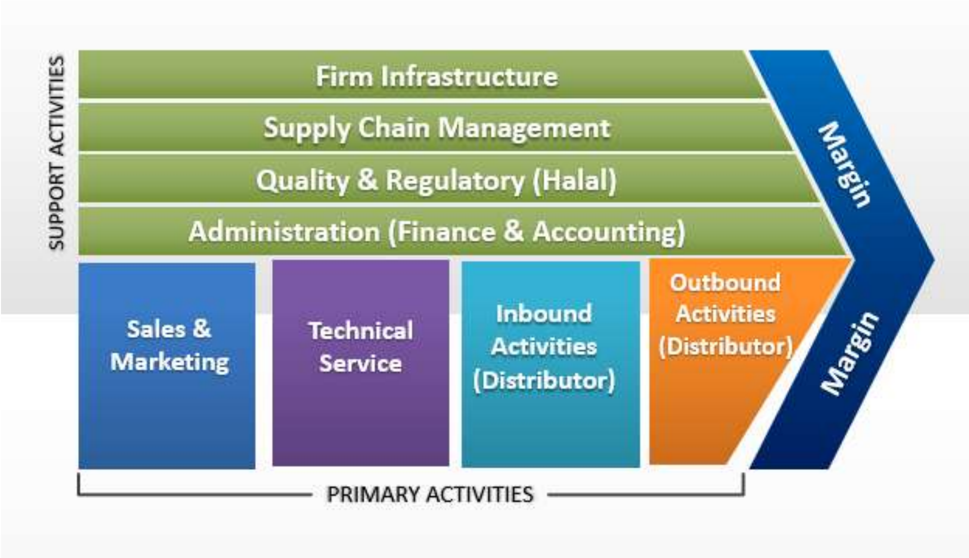
Source: company-internal data (processed data)

Figure 1. *Initial model of PT. S value chain*

Figure 1 shows that the main chains eliminated or changed are storage operations (warehouse operations) and delivery to customers (outbound logistics).

The process flow before the products land at the distributor's hand is as follows.

a. The sales department processes and send offers to customers while managing product prices lead times. During this phase, the sales team coordinates with the technical team to customize products to suit certain specifications desired by customers. They also arrange for new products and projects and ensure product availability to meet the desired customer schedule. Additionally, the sales department coordinates with the customer service department to ensure that customer orders have been recorded into the system for further processing.
b. The Supply Chain Department receives the product orders and prepares them for affiliates. It also arranges forwarder selection, pick-up schedules, and product delivery from affiliates to Indonesian ports. Furthermore, it ensures the company’s schedule aligns with the customer's waiting time. This department is also interested in smooth delivery from the port to the storage warehouse and checks if the quantity and physical products agree with the order made.
c. The Quality & Regulatory Department ensures that product specifications and documents are completed as requested by the customer. The documents often include halal product requirements documents and much more. The Quality & Regulatory Department also handles and follows up on complaints from customers and coordinates replacing products that fail not to fulfill customer specifications and product returns to affiliates.
d. The customer service department records the customer's order as soon as it is received and coordinates with the supply chain to ensure the product arrives on time and is sent to the warehouse. When the product arrives, it performs the necessary processes within its internal systems (ERP system – Oracle's JDE). It also coordinates with the warehouse to arrange the delivery of the goods to the customer with dully-filled supporting documents. After sending out the delivery note, the customer sales department will also issue a sales invoice and all relevant documents to the finance department for the billing process.
e. The finance department monitors the entire process since it authorizes several processes, from ordering to tax invoice issuance. The financial supervisor will monitor daily sales and request reports to match the sales forecast for daily reporting to management. It also carries random daily and weekly reviews on issued invoices to catch any errors in the system. The finance department is responsible for the billing process after submitting a sales invoice with supporting documents. After receiving a tax invoice, it also sends the sales invoice and supporting documents to the customer for the billing process.



Source: company-internal data (processed data)

Figure 2. *PT. S value chain model with distributor*

After adopting a business model with distributors, the major difference is witnessed in process numbers 2, 3, and 4. The distributors are used as third parties receiving orders from customers and addressing customers' complaints. They also present product specifications from customers, store products (when needed), and bill customers when they receive goods from the warehouse.

PT. S's new business model eliminates storage (warehouse) operation; therefore, they are directly sent to the customer's warehouse after the product arrives in Indonesia. Good coordination between all parties (company-distributor-transporter) is required to ensure the success of the entire process to reduce a customer's waiting time.

The advantage of the new model is that no product is stored at PT. S (zero inventory level). Nevertheless, the customer waiting period necessitates that the company has some inventory in its books. The inventory is entrusted to the selected distributor, who agrees with the rental house for inventory storage and adjustment. The distributors also took over communicating with customers, filling their complaints, and billing them.

By the end of 2019, the company was expected from aligning itself to the new business model, thus affecting its employee composition. Due to the change, it laid off eight workers and hopes to increase its sales by cooperating with the distributor as the sales team shifted its focus on business and product development. The value chain is also focused on managing the primary activities, such as technical, supply chain, and sales & marketing. Furthermore, the objective of this focus is to provide the company with a competitive advantage, thus providing satisfactory results for management and shareholders.

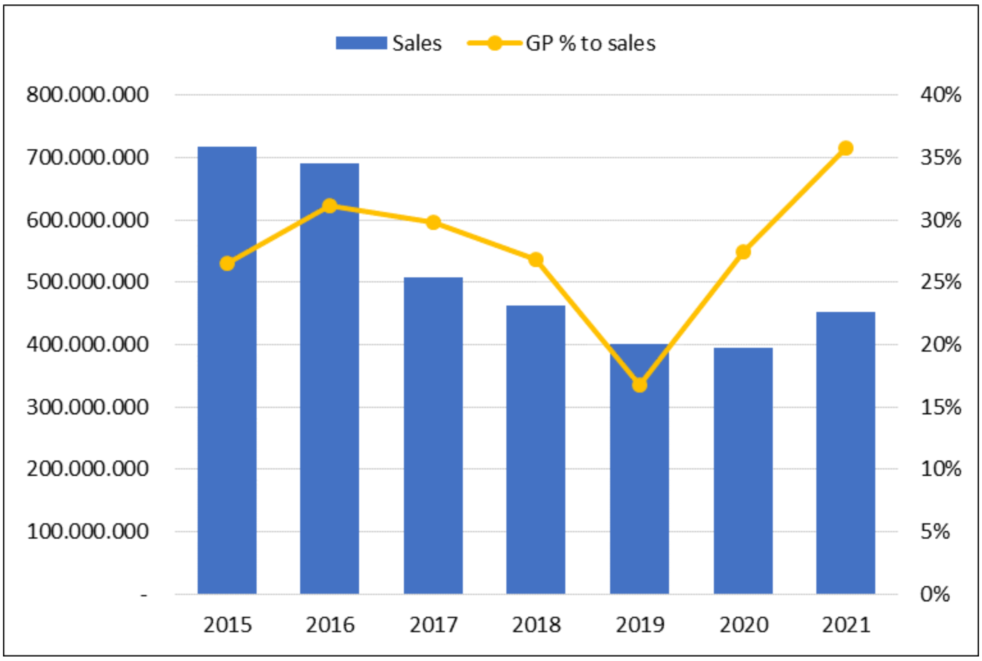
The restructuring has enabled the company to focus its operations on product development processes, technical and inbound processes as part of the value chain prioritized by management as the main advantage factor. The elimination of outbound, internal processes through third-party warehouses has enhanced efficiency within the company.

Changes in the business model have a different outcome from management's assessment of the company's performance that has been dwindling over the last few years. According to the interview results, there are inconsistencies in management, negatively affecting product distribution, sales, and operational activities. The results emphasize management's decision to change the business model and use distributors to eliminate risks to third parties. The Indonesian market situation also supports this decision. Though the market shows great potential, management sees the need for risk transfer to third-party warehouses and inventory management, such as obsolete inventory management. The sales and technical teams in the value chain are considered primary activities by PT. S, hence they were maintained during restructuring to improve the performance of the Indonesian office without sacrificing too many employees.

The interview respondents indicated that after a change in the business model, the operational process seemed more efficient during the ordering process to affiliates, bidding processes, and product inbound transportation. These functions were also facilitated by the distributors' implementation of a consolidation order system. The transition has met some challenges, including the Covid-19 pandemic affecting transportation schedules, administration problems with customers' complaints, and difficulties delivering following the customer’s request. However, the consolidation system is considered effective in helping the operation. The distributor seems to have an excellent relationship with customers. Still, there is a billing problem for one distributor initially appointed as the main distributor, leading to a contract termination between the company and the distributor. The number of distributors remaining is two for each coloring and flavoring segment.

4.4 Financial Analysis

The company intends to implement the new business model from third quarter 2019 and to jump to full operation by the end of the third quarter of 2020. The result at the beginning of 2021 has shown great potential, with sales figures meeting the projected value of 2020. Though Covid-19 came with several restrictions on business activities, it did not have a major negative impact with sales increasing instead of reducing. Sales performance trends after the restructuring are shown in the following figure. The trends are showing increment after the new business implementation.



Source: company-internal data (processed data)

Figure 3. *Sales Trends*

The summary of performance since the implementation also shows positive signs in 2021 for sales, gross margin and operating profit. Numbers are shown in the table below:

Table 1. Financial Performance

Remarks	2020		2021 (Forecast)	
	Budget	Prior Year	Budget	Prior Year
Sales	-8%	-2%	6%	6%
Gross Margin	-7%	27%	27%	32%
Operating Profit	18%	147%	51%	50%

Source: company-internal data (processed)

According to the above financial data, the company has a positive trend compared to the previous year. Sales during the 2020 period showed a negative trend compared to the projected and previous year's values, though the operating profit is positive. Additionally, the change in the business model in 2021, the sales trend, gross margin, and operating profit showed positive results compared to the target budget and the previous year's values.

The new business model eliminated the value chain of outbound activities, thus causing organizational restructuring and laying off several employees. The change also contributed to a 23.5% cost savings from the total projected sales value in 2021. The data on cost savings are shown in the table 2 below.

Table 2. Cost savings from restructuring and changes in business model (IDR 000)
(IDR 000)

Remarks	2020 (actual)	2021 (estimate)	Saving
	Before	After	
Cost of Capital			
Opportunity cost of inventory			1.495.583
Inbound activities cost			
Import fees	11.830.000	8.705.000	3.125.000
Outbound activities cost			
Storage fees	5.260.000	890.000	4.370.000
Transportation etc	3.815.000	1.470.000	2.345.000
Sales & General Admin			
Wages	21.670.000	12.775.000	8.895.000
Others	1.050.000	-	1.050.000
TOTAL			**21.280.583**
% to Sales			**23,56%**

Source: company-internal data (processed data)

Table 2 above shows the savings made by the company’s operations due to cost of inventory, inbound, outbound, and SGA activities. This resulted from restructuring and changes in the business model at PT. S. The above table shows annual savings due to the loss of some inbound and outbound activities, such as the efficiency of the ordering process from affiliates by consolidating orders. Reduced transportation costs also caused savings, and warehouse costs were eliminated as third parties took temporary storage before the products were sent to customers. Additionally, costs were saved on salaries since some personnel was laid off.

4.5 Product Profitability

Since 2018 PT. S has focused its sales segment on flavoring and coloring products, with several superior products, thus contributing to its profit margin. The company has had a product mix, but it has not evenly distributed profit between each product. The summary of product profitability by each product segment is shown in table 3.

Table 3. Profitability by product segment

Segmen	% sales		GP Contribution	
	2020	2021	2020	2021
Colour	73%	74%	77%	75%
Flavour	27%	26%	23%	25%
Colour				
Synthetic	48%	45%	52%	41%
Natural	52%	55%	48%	59%

Source: company internal data (processed data)

Table 3 indicates that PT. S has several superior products, with its coloring products taking up the largest sales composition. The table shows that more than 70% of sales originate from coloring products. However, the table also that natural dyes are beginning to take portions of the food coloring market. One factor influencing the rise in the natural dye is the regulations (BPOM) on ingredients used in food and beverage products requiring natural coloring. The regulatory trend project that 2020 and 2021 sales will be dominated by natural coloring.

PT. S should focus on excellence as it implements changes in the business model and highlights its strong value chain model. Therefore, the company should prioritize the development of natural coloring products to meet the regulation and current trends. This can help in replacing less profitable flavoring products with coloring ones.

4.6 Cost Management Analysis

Activity cost management (activity-based management) is defined by CAM-I (Consortium for Advanced Manufacturing-International) as a discipline focusing on managing business activities to promote the company's goal and increase the value given to the customers. ABM uses ABC as its primary data source to conduct cost driver analysis, activity analysis, and performance measurement.

The company's sales and administration cost activities (SGA) are divided into four categories of cost centers: SCM (inbound & outbound activity) costs, sales department, research, and development department (R&D – technical team), and administration department (such as supply chain and quality & regulatory personnel costs).

The ABM approach helps the company examine the efficiency of a cost analysis of the company's main activities. It also facilitates a review of each department's process and establishes how to maximize its competitive advantage. The ABM's cost classification is expected to enable the company to manage its main and supporting activities, thus improving business performance, operational processes, reducing costs, and deciding on the optimal product mix.

V. Conclusion

Many factors (internal and external) cannot be separated from the changes in the company’s strategy. Likewise with the situation at PT. S, which has been operating in Indonesia for more than 17 years, has experienced a downward trend so that this has triggered a change in the company's business model. This study aims to evaluate the effectiveness of the transformation of business model changes. The evaluation is carried out using a strategic cost management framework. Based on the results of the interviews and analysis of data in accordance with the strategic management framework from the evaluation of the business model change of PT. S can be concluded as follows:

The company's competitive advantages from the SWOT analysis include the latest technology in coloring products, various natural coloring products, a local technical team that customizes customer products, and coloring technology coupled with flavoring in one solution. The weaknesses comprise long lead times due to direct imports from non-Asian countries, such as America and Europe. Hence, PT. S has presented several opportunities in Indonesia since the market is huge. Currently, the company concentrates its products in Java, though they can extend to other outlets dealing in food and beverages. The adoption of distributors also presents another opportunity for additional markets because the products are expected to be evenly distributed to all areas of Indonesia. The company’s major threat is a product from competitors uniformly distributed across the country and cheaper.

The change in the business model also altered the company's value chain. Specifically, it brought distributors responsible for third-party storage operations (warehouse operations) and delivery to customers (outbound logistics). The management transfers risk to distributors who are required to run internal storage operations. By eliminating these two value chains, the company adds value to its competitive advantage since the products ordered by customers can be available on time at competitive market prices. Moreover, it focuses on the value chain’s main activities-technical product activities, supply chain (inbound activities), sales, and marketing, which in accordance with the theory of value chain analysis from Michael Porter (1985).

The company's financial performance showed an improvement in revenue, gross margin, and operating income trends. The operating costs appear to have significantly decreased than the previous business model values. The financial performance also showed operational cost savings due to eliminating several value chain activities, such as warehouse storage, product import, and transport costs. The product profitability mix is not evenly distributed because some products are still less profitable but are maintained because the quantity is significant. The cost management activities are categorized into four centers, including SCM, sales, technical, and administrative. The cost activity decreased after the change in business model, with the activity for the admin department being dominant.

In this study, the analysis was only carried out on a single unit PT. S in Jakarta. Additionally, the main focus was on evaluating changes in the business model using a strategic cost management framework. Therefore, future studies should be complemented by addressing these issues. Additionally, the following changes and suggestions in the business model are necessary.

a. Strengthening the product position of natural coloring products in the Indonesian market.
b. Increasing investment in key resources, such as quality and quantity of technical personnel to strengthen competitive advantage.
c. Taking caution to prevent a repeat of the receivable payment problem that resulted in replacing one distributor. With sales volumes relying on distributors and no company guarantees, distributors default risks can be high, hence the need to carry out receivable collection procedures and review credit terms.
d. The company should regularly review product mix, focusing on superior products that generate positive margins.
e. The company should also implement activity-based cost allocation, thereby centering cost distribution on the admin department.
f. Developing good relationships with distributors, helping the new business model run smoothly and increase the area of distribution.

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